APPENDIX.

Sec. 112. Recognition of Gain or Loss.

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(g) Definition of Reorganization.—As used in this section and section 113—

(1) The term "Reorganization" means

(A) a statutory merger or consolidation, or

(B) the acquisition by one corporation in exchange solely for all or a part of its voting stock: of at least 80 per centum of the voting stock and at least 80 per centum of the total number of shares of all other classes of stock of another corporation, or

(C) a transfer by a corporation of all or a part of its assets to another corporation if immediately after the transfer the transferor or its stockholders or both are in control of the corporation to which the assets are transferred * * *

(h) Definition of Control.—As used in this section the term "control" means the ownership of at least 80 per centum of the total number of shares of all other classes of stock of the corporation.

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(U. S. C. Title 26, Sec. 112)

Sec. 113. ADJUSTED BASIS FOR DETERMINING GAIN OR LOSS.

(a) Basis (Unadjusted) of property.—The basis of property shall be the cost of such property; except that—

* * * *

(7) Transfers to corporation where control of property remains in same persons.—If the property was acquired after December 31, 1917, by a corporation in connection with a reorganization, and immediately after the transfer an interest or control in such property of 50 per centum or more remained in the same persons or any of them, then the basis shall be the same as it would be in the hands of the transferor, increased in the amount of gain or decreased in the amount of loss recognized to the transferor upon such

transfer under the law applicable to the year in which the transfer was made. * * *

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(b) Adjusted Basis.—The adjusted basis for determining the gain or loss from the sale or other disposition of property, whenever acquired, shall be the basis determined under subsection (a), adjusted as hereinafter provided.

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(U. S. C., Title 26, Sec. 113.)

Section 114. Basis for Depreciation and Depletion.

(a) Basis for Depreciation.—The basis upon which exhaustion, wear and tear, and obsolescence are to be allowed in respect of any property shall be the adjusted basis provided in section 113(b) for the purpose of determining the gain upon the sale or other disposition of such property.

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(U. S. C., Title 26, Sec. 114)